

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED CONTRACT BETWEEN DELTRAN,)
INC. AND DELTA NATURAL GAS COMPANY,))
INC. FOR UNDERGROUND NATURAL GAS) CASE NO. 95-531
STORAGE SERVICE)

O R D E R

On November 29, 1995, Deltran, Inc. ("Deltran") filed its application for approval of initial tariffs to provide underground natural gas storage service. On February 26, 1996, Deltran revised its Original Tariff Sheet No. 2 to substitute for Original Tariff Sheet No. 2 filed on November 29, 1995. Deltran requested confidential protection of certain lease and gas storage provisions but subsequently notified the Commission that it was withdrawing its request on February 26, 1996.

Deltran is the operator of a natural gas storage field in Bell County and related pipeline, measurement, and compression facilities located in Bell and Knox counties pursuant to a lease agreement with the owner, Delta Natural Gas Company, Inc. ("Delta"). Deltran included the lease agreement in its application. Delta is the only customer of Deltran. The gas storage contract required by Deltran's proposed tariff is included in the filing.

An informal conference was held with Commission Staff on February 15, 1996. On April 26, 1996, Deltran filed responses to information requested by the Commission in its Order dated April 16, 1996.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that Deltran's proposed rates and tariffs are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Deltran's rates and tariffs filed November 29, 1995, as amended February 26, 1996, be and they hereby are approved effective on and after the date of this Order.

2. Deltran's motion of February 26, 1996 to withdraw its motion for confidential treatment is granted.

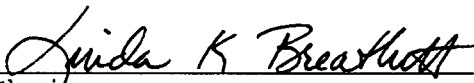
3. Within 20 days of the date of this Order, Deltran shall file its tariffs authorized herein with the Commission.

4. Beginning August 31, 1997, and for each of the successive three years thereafter, Deltran shall file a report with the Commission setting out information for the 12-month period ending June 30 of that same year. The report shall include a schematic annual load derivation curve, the percentage reserved margin allowed for peaking purposes, the peak-day load delivered from storage, storage deliverability, and the results of an analysis performed on the gas withdrawn from each well to include the

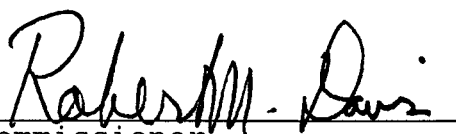
hydrogen sulfide, carbon dioxide, and nitrogen content, as well as the heating value of the gas.

Done at Frankfort, Kentucky, this 9th day of May, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director